

3.

INVESTMENT  
DIVISION  
RECEIVED

MAR 22 1935

CLEVELAND PUBLIC LIBRARY  
BUSINESS INF. BUR.  
CORPORATION FILE

From \_\_\_\_\_  
Answered by \_\_\_\_\_  
Date \_\_\_\_\_

# **MONTGOMERY WARD**

**Sixty-Third Annual Report  
Twelve Months Ended  
January 31  
1935**

BOARDS  
658, 27  
M215n



MONTGOMERY WARD & CO.,  
INCORPORATED

*Sixty-Third Annual Report*

*Twelve Months Ended January 31, 1935*

Chicago, Illinois  
March 15, 1935

*To the Stockholders of  
Montgomery Ward & Co.:*

The following report presents the financial position of your company at January 31, 1935 and the results of its operations for the year.

Net profit for the year was \$9,161,054, which is equal to \$1.72 per share on the Common stock outstanding after providing for current dividends on Class "A" stock. For the previous fiscal year, the corresponding earning was \$2,227,957, or 18 cents per share. Profit for the past year was after full charges for depreciation of fixed properties, inventory shrinkages, losses on accounts receivable, and taxes of all kinds.

Net sales for the twelve months were \$249,805,721. With the exception of 1929, this was the highest volume for any year in the company's history. The improvement in net earnings over last year was due chiefly to the increased sales, with a corresponding reduction of operating costs in relation to the increased volume of business done. Each operating division of the company—retail, mail order, and factories—contributed to the year's net profit.

The larger volume of credit business during the year is in part the result of extending the company's time-payment sales plan to its full line of merchandise. Much of this increase is in sales to regular customers

with established credit standing. The collectibility of our receivables is good, and ample reserves for bad debts have been provided. Inventories of \$53,184,318 are in good condition and represent a merchandise position which is satisfactory in relation to the present volume of business.

First mortgage notes and investments have been reduced \$1,753,000, largely through the acceptance of Home Owners' Loan Corporation bonds which in most cases have been converted to cash. At January 31 our production of spring catalogs was further advanced than last year and heavier paper stock inventories were carried. Expenditures for additions to fixed properties, principally in the retail division, amounted to \$3,877,500. Working capital of \$85,716,188 at January 31 was \$7,240,510 more than at the close of the previous year. The ratio of current assets to current liabilities was 7.17 to 1.

The current trend of business, as reflected in the month of February just closed, shows a continued sales increase, but also a highly competitive price condition. This, with the increasing tax burden, indicates a lower net profit for the first half of the coming year.

The program of rehabilitating the company's operating properties, started in 1932 and now about half completed, is being actively continued.

Respectfully submitted,

SEWELL L. AVERY,  
*President*

Montgomery Ward & Co.,  
(AN ILLINOIS  
Consolidated Balance

ASSETS

**Current Assets:**

Cash (less treasurer's drafts outstanding)....	\$ 23,999,614.90
Marketable securities—	
U. S. Gov't securities (market \$1,760,728) \$ 1,708,299.05	
Other securities (market \$254,905) ..... <u>230,185.95</u>	1,938,485.00
Receivables—less reserves—	
Customers' time-payment and charge accounts (average terms of time-payment accounts eight months, approximately \$1,300,000 maturing after one year) \$ 19,601,673.34	
Due from suppliers, claims receivable, etc. <u>873,348.30</u>	20,475,021.64
Merchandise inventories, quantities and condition determined by the Company; priced at the lower of cost or market (less reserves and including raw materials and factory work in process of \$2,492,309).....	53,184,318.37
Total current assets.....	<u>\$ 99,597,439.91</u>

**First Mortgage Notes and Investments:**

First mortgage notes and land contracts on homes sold (due in installments)..... \$ 3,954,287.13	
Homes held for resale (at cost) <u>6,807,811.57</u>	
	\$ 10,762,098.70
Less—Reserves for losses .... <u>2,318,080.78</u>	\$ 8,444,017.92
Investments, at cost, less reserves (including \$228,266.64 U. S. Gov't bonds deposited under self-insurance and escrow agreements) <u>395,450.82</u>	8,839,468.74

**Prepaid Spring Catalog Costs, Paper Stock, Supplies, Insurance, Etc. ....**

5,065,508.01

**Fixed Assets (at cost, less accrued depreciation):**

Land.....	\$ 5,030,856.34
Buildings and building equipment.....	\$ 30,029,525.35
Fixtures and equipment..... <u>21,813,408.91</u>	\$ 51,842,934.26
Less—Reserves for depreciation <u>17,405,318.98</u>	34,437,615.28
Leasehold improvements (less amortization) .. <u>2,145,953.99</u>	41,614,425.61
	<u>\$ 155,116,842.27</u>

# Incorporated and Subsidiaries (CORPORATION)

Sheet — January 31, 1935

## LIABILITIES

## Current Liabilities:

Accounts payable.....	\$ 6,738,813.74	
Due customers.....	<u>1,904,792.13</u>	\$ 8,643,605.87
Accrued expenses and taxes—		
Salaries, wages, and other operating expenses	\$ 1,886,446.86	
Personal property, real estate, and sundry taxes.....	1,341,965.47	
Federal income taxes (subject to final determination by Treasury Department).....	<u>1,948,233.00</u>	5,176,645.33
Current maturities of long term debt.....		61,000.00
Total current liabilities.....		\$ 13,881,251.20

### **Long Term Indebtedness—due serially:**

Purchase contract on Chicago Administration  
Building and first mortgage bonds of sub-  
sidiary company..... 1,905,000.00

### Reserve for Self-insurance. ....

### Capital Stock and Surplus:

### Capital Stock and Surplus.

## NOTES:

1. The use of surplus to the extent of the above treasury stock is restricted until such stock is sold or cancelled.
2. Accumulated dividends on Class "A" stock amounted to \$823,012 at January 31, 1935, of which \$705,439 was in arrears. In partial payment of this accumulation, a dividend of \$1.75 per share, amounting to \$352,719.50, was declared February 19, 1935, payable April 1, 1935.
3. An option to Mr. S. L. Avery is outstanding on a balance of 48,000 shares of Common stock at \$11 per share, expiring January 1, 1936.

**\$ 155,116,842.27**

# Montgomery Ward & Co., Incorporated

## COMPARATIVE CONSOLIDATED INCOME ACCOUNT FOR THE YEARS ENDED JANUARY 31, 1935 AND 1934

	<u>Year Ended January 31</u>	
	<u>1935</u>	<u>1934</u>
Net Sales.....	<u>\$ 249,805,721.00</u>	<u>\$ 187,632,543.00</u>
Less—		
Cost of goods sold (including inventory write-downs) and all other expenses except depreciation and amortization .....	\$ 235,741,378.02	\$ 182,005,303.43
Depreciation of fixed properties .....	2,947,383.69	2,648,279.30
Amortization of leasehold improvements....	309,323.54	318,160.96
	<u>\$ 238,998,085.25</u>	<u>\$ 184,971,743.69</u>
Net operating profit .....	<u>\$ 10,807,635.75</u>	<u>\$ 2,660,799.31</u>
Add—		
Interest earned on securities .....	\$ 177,576.91	\$ 610,909.60
Profit on securities and investments sold (net)	152,105.10	—
Profit on sale of raw materials.....	1,075,548.27	—
	<u>\$ 1,405,230.28</u>	<u>\$ 610,909.60</u>
	<u>\$ 12,212,866.03</u>	<u>\$ 3,271,708.91</u>
Deduct—		
Loss on securities and investments sold (net) \$	—	\$ 515,796.18
Rent and liquidation expense on stores closed in prior years.....	51,812.23	527,955.89
Provision for inventory reserve.....	1,000,000.00	—
	<u>\$ 1,051,812.23</u>	<u>\$ 1,043,752.07</u>
Net profit before Federal and state income taxes.....	\$ 11,161,053.80	\$ 2,227,956.84
Provision for Federal and state income taxes	2,000,000.00	— *
Net profit carried to surplus.....	<u>\$ 9,161,053.80</u>	<u>\$ 2,227,956.84</u>

\* Included in cost of goods sold and other expenses—\$100,000.00

### RECORD OF ANNUAL NET SALES

1934-5.....	\$ 249,805,721	1929.....	\$ 267,325,503
1933-4.....	187,632,543	1928.....	214,350,446
1932-3 (13 months).....	176,488,690	1927.....	186,683,340
1931.....	200,400,193	1926.....	183,800,865
1930.....	249,097,223	1925.....	170,592,642

# Montgomery Ward & Co., Incorporated

## CONSOLIDATED EARNED SURPLUS ACCOUNT FOR THE YEAR ENDED JANUARY 31, 1935

Balance January 31, 1934 .....	\$ 9,640,642.57
Add—	
Net profit for the year ended January 31, 1935 .....	9,161,053.80
Total .....	<u>\$ 18,801,696.37</u>
Deduct—	
Dividends declared during the year on Class “A” stock (\$10.50 per share, leaving \$3.50 per share in arrears) .....	\$ 2,116,317.00
Excess of amount at which 50,000 shares of treasury Common stock were carried on the books over the price at which they were sold to Mr. S. L. Avery in December 1934 (\$11 per share) in accordance with an option agreement dated November 27, 1931 .....	310,930.00
Balance January 31, 1935 .....	<u>2,427,247.00</u>
	<u>\$ 16,374,449.37</u>

## SUMMARY OF GENERAL RESERVE FOR THE YEAR ENDED JANUARY 31, 1935

Balance January 31, 1934 .....	\$ 1,885,388.51
Deduct—	
Amount of appreciation added to fixed assets in 1917 now eliminated .....	\$ 1,580,975.71
Amount transferred to accounts receivable reserves for future collection costs of time- payment accounts .....	304,412.80
Balance January 31, 1935 .....	<u>1,885,388.51</u>
	<u>\$ —</u>

*To the Board of Directors,  
Montgomery Ward & Co., Incorporated:*

We have made an examination of the consolidated balance sheet of MONTGOMERY WARD & CO., INCORPORATED, AND SUBSIDIARY COMPANIES as at January 31, 1935, and of the statement of consolidated income and surplus for the year ended that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statements of income, earned surplus and general reserve accounts correctly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the financial position of the companies at January 31, 1935, the results of their operations and the changes in surplus and general reserve accounts for the year ended that date.

ARTHUR ANDERSEN & CO.

Chicago, Illinois, March 7, 1935

# Montgomery Ward & Co., Incorporated

## DIRECTORS

SEWELL L. AVERY, *Chairman*

DAVID A. CRAWFORD  
HARRY P. DAVISON  
GEORGE B. EVERITT  
RAYMOND H. FOGLER  
FRANK M. FOLSOM

CHARLES F. GLORE  
WALTER HOVING  
D. R. McLENNAN  
SILAS H. STRAWN  
JAMES W. THORNE

## OFFICERS

SEWELL L. AVERY..... *President*  
SILAS H. STRAWN..... *Chairman, Executive Committee*  
WALTER G. BAUMHOGGER..... *Vice-President*  
RAYMOND H. FOGLER..... *Vice-President*  
FRANK M. FOLSOM..... *Vice-President*  
WALTER HOVING..... *Vice-President*  
GEORGE W. VAUGHT..... *Treasurer*  
ALBERT T. HUIZINGA..... *Assistant Treasurer*  
STUART S. BALL..... *Secretary*  
MILTON McMANAWAY..... *Assistant Secretary*

## *Transfer Agents*

MONTGOMERY WARD & CO., INCORPORATED, CHICAGO, ILL.  
MONTGOMERY WARD & CO., INCORPORATED, NEW YORK, N. Y.

## *Registrars*

FIRST NATIONAL BANK OF CHICAGO, CHICAGO, ILL.  
BANKERS TRUST COMPANY, NEW YORK, N. Y.



